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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001969

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STATE PASS AIT/W

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TAGS: [PREL](#) [PGOV](#) [PINR](#) [CH](#) [TW](#)

SUBJECT: DPP FACTION EMBARKS ON CROSS-STRAIT INITIATIVE

REF: TAIPEI 934

Classified By: AIT Acting Director David J. Keegan, Reason: 1.4 (B/D)

11. (C) Summary: Away from the media glare given to the recent Pan-Blue cross-strait initiatives, the Democratic Progressive Party's (DPP) moderate New Tide faction has opened talks with PRC authorities about establishing a cross-strait cooperation mechanism to tackle financial crimes. New Tide elder Hong Chi-chang (protect) told AIT that he met with Xin Kuisan, head of Taiwan Affairs at the PRC Hong Kong Liaison office on April 16-17 to discuss the initiative. Hong said that he engaged in the Hong Kong talks on behalf of fellow New Tide leader and Taiwan Stock Exchange Corporation (TSEC) Chairman Wu Nai-jen. While National Security Council (NSC) Secretary General Chiou I-jen, the New Tide's third co-leader, is aware of the long-standing PRC Taiwan Affairs Office (TAO)-New Tide channel, he has not been briefed on the details of the current initiative for fear that President Chen Shui-bian would find out. Hong said that the New Tide has maintained a separate channel with officials from the PRC State Council's Taiwan Affairs Office (TAO) since 1997. End Summary.

Cross-strait Contacts: Not Just for the Pan-Blue Anymore

12. (C) DPP Legislator Hong Chi-chang told AIT that the moderate New Tide faction has been in contact with PRC authorities about launching a series of cross-strait economic initiatives in the coming months. Hong is one of three elders in the faction (the others being NSC SecGen Chiou I-jen and TSEC CEO and former DPP SecGen Wu Nai-jen) and the DPP's ranking legislator. Hong told AIT that he had just returned from Hong Kong on April 17, where he held several hours of talks with officials from the PRC State Council's Taiwan Affairs Office (TAO) about creating a mechanism for Taiwan-PRC cooperation to tackle financial crimes. Hong said that no decision has been made about whether or when to publicize the joint initiative. Hong noted that no public announcement will be made until all the details had been worked out. He added that it would be inappropriate to publicize PRC contacts with elements of the DPP now given the government's concerns over the PRC's accelerated "united front" campaign. However, Hong said that over the coming year, the New Tide plans to press forward with a series of economic and technical initiatives aimed at facilitating economic activities and stabilizing cross-strait tensions.

13. (C) Hong said his main interlocutor on April 17 was Xin Kuisan, head of Taiwan Affairs at the PRC State Council's Hong Kong Liaison office. Hong noted that Xin has taken the lead on the TAO-New Tide channel almost since its inception in 1997, when Xin was still stationed at the TAO in Beijing. Hong said that he engaged in discussions on the financial crimes initiative on behalf of TSEC Chairman Wu. Hong mentioned that former Mainland Affairs Council (MAC) Senior Vice Chairman Chiu Tai-san (also a New Tide member) was also engaged on the initiative, but Chiu dropped out of active participation after leaving MAC in late March to run for Taichung County Magistrate.

14. (C) Hong said that his April visit was the second New Tide meeting with PRC officials this year. The first meeting was with a larger group of officials from Beijing, including TAO, and representatives from the Chinese Communist Party Secretariat. That meeting, Hong remarked, touched on the

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financial crimes initiative, but focused more on the likely Taiwan reaction to the Anti-Secession Law (ASL). (Note: Hong had made an indirect reference to this exchange during a February meeting with AIT, Reftel.)

15. (C) Hong said he has specifically not informed NSC SecGen Chiou about the details of the latest initiative. While Chiou has been a participant in past New Tide-TAO channel contacts, Hong said that the faction decided to keep him in the dark about the current plan. The main reason for this, Hong continued, was fear that Chiou may "feel compelled" to inform President Chen Shui-bian. Hong assessed that Chen, who deeply distrusts the New Tide, would likely quash the plan if he learned of its existence.

A Long Relationship

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16. (C) Hong said the New Tide's contacts with the PRC began in 1997, when a group of New Tide legislators visiting the Mainland were approached by working level TAO officials about establishing a dialogue. The two sides have met regularly since that time, both to exchange views on general trends and to discuss specific substantive issues. Hong claimed that the 2003 Lunar New Year charter flight initiative was the outgrowth of New Tide-PRC discussions. Hong said that the New Tide faction seeks to serve as a bridge between the PRC and the rest of the DPP. Unlike many other elements of the DPP, Hong said the New Tide is no longer wedded to independence as the only final option for Taiwan's political future. In discussions with PRC counterparts, Hong said he continue to stress that Beijing needs to understand that the mainstream view in Taiwan is that the island is Chinese culturally, but different in terms of political system, society, and general outlook. These differences can be bridged over time, but attempts by Beijing to force Taiwan into a premature settlement will only provoke Taiwan to seek further political distance from the Mainland. Hong expressed concern that Beijing's regular Pan-Blue interlocutors fail to present a balanced picture of Taiwan's society and inadvertently encourage the PRC to take counter-productive measures. While the New Tide shares the Pan-Blue's view on many cross-Strait economic initiatives, Hong said that the opposition's constant attempts to explore final political formulas will only lead to false expectations in Beijing.

Comment: Pan-Green Realists  
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17. (C) Once the DPP's most radicalized faction, the New Tide has transformed itself into the most centrist force in the party. The New Tide now forms the core of a moderate stream of thought within the DPP on cross-Strait policy, whose members also include Premier Frank Hsieh and DPP Chairman Su Tseng-chang. However, the New Tide's cross-Strait moderation

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may not be completely altruistic. The faction has leveraged its reputation for policy acumen and cross-Strait realism to attract major financial support from the business community, especially the high-tech and financial sectors. The New Tide's ability to drive the government's policy agenda, however, is constrained by the tense relationship between President Chen and the faction. This friction has put NSC SecGen Chiou in a particularly difficult position. While Chiou continues to maintain regular contact with Hong and other faction leaders, his faction colleagues see his primary loyalty, for the moment at least, as resting with the President.

BioNotes  
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18. (C) Hong told AIT last July that he stepped down from the DPP's Central Standing Committee in order to allow more flexibility for interacting with PRC interlocutors. Hong remains the Chairman of the Taiwan Economy and Industry Association, a group he established in 2001 to boost DPP interaction with the business community. Hong noted that the PRC has issued him a multiple entry permit for Hong Kong to minimize the risk that his visits will be revealed.

19. (C) In the past year, we have also noticed increasing contacts between PRC academic visitors and other influential New Tide members, including some like Taipei County Magistrate Lin Hsi-yao who would not normally interact with Mainland cross-Strait specialists. In addition to Hong, faction members Yen Wan-ching (currently DPP Deputy SecGen), Chung Chia-bing (Yen's predecessor as DPP Deputy SecGen), DPP LY Defense Committee Co-Chair Lee Wen-chung, and former MAC Vice Chair Chiu are also engaged in the faction's cross-Strait activities. The local media reported that Chung was seen by journalists at a conference in Beijing in late April.  
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